

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268

DSCF STANDARD MAIL LOAD LEVELING

Docket No. N2014-1

INITIAL BRIEF OF THE UNITED STATES POSTAL SERVICE
(February 20, 2014)

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I. STATEMENT OF THE CASE

When the United States Postal Service (Postal Service) determines that there should be a change in the nature of postal services that will generally affect service on at least a substantially nationwide basis, it is required by Title 39, United States Code section 3661(b), to request that the Postal Regulatory Commission (Commission) issue an advisory opinion on the proposed service change. Additionally, 39 C.F.R. §3001.72 provides that the Postal Service must file a request with the Commission of a change affecting service on a nationwide or substantially nationwide basis “not less than 90 days” before implementation.

The Postal Service intends to change the manner in which it processes and dispatches Standard Mail that qualifies for a Destination Sectional Center Facility (DSCF) discounted rate. The Postal Service recognizes that this operational change will arguably result in a nationwide change in the nature of postal services within the meaning of 39 U.S.C. § 3661(b). Consequently, the Postal Service filed a request for an advisory opinion with the Commission on December 27, 2013. *See generally*, United States Postal Service Request for an Advisory Opinion on Changes in the Nature of Postal Services (Request), PRC Docket No. N2014-1 (December 27, 2013).

As this Initial Brief explains, the Postal Service has presented the evidence necessary and appropriate to support an advisory opinion from the Commission that the Postal Service’s plan to more evenly distribute the volume of DSCF Standard Mail pieces delivered by carriers throughout the week (the Load Leveling Plan) conforms to the policies of Title 39. Because of the relationship between mail entry patterns for DSCF Standard Mail and the currently applicable service standard, the Postal Service

delivers a disproportionate amount of DSCF Standard Mail on Mondays. See Request at 1. The proposed service standard change will generate operational flexibility that will permit implementation of a straightforward and sound solution for easing the stress placed on the Postal Service delivery and processing network associated with the disproportionate proportion of mail volume with a Monday delivery expectation.

The Postal Service has presented compelling evidence that supports the Request and the parties who intervened have not offered any contrary evidence. As such, it is the view of the Postal Service that the Commission's review of the record should lead to the issuance of constructive and supportive advice.

II. PROCEDURAL HISTORY

In support of its December 27, 2013 Request for an Advisory Opinion in PRC Docket No. N2014-1, the Postal Service submitted the direct testimony of witness Linda Malone, Manager of Processing Operations in the Network Operations Department at United States Postal Service Headquarters (USPS-T-1), and the direct testimony of Mark Anderson, District Manager for the South Jersey District (USPS-T-2). On December 30, 2013, the Commission issued Order No. 1932, which provided public notice of the Request, initiated this docket, appointed an employee to represent the public interest, and established a procedural schedule. Order No. 1932, Notice and Order on Request for an Advisory Opinion on Changes in the Nature of Postal Services, PRC Docket No. N2014-1 (December 30, 2013). Subsequently, ten parties filed notices of intervention.

The Postal Service's direct case was supplemented by the filing of additional

library references, responses to formal written interrogatories, and responses to document requests from other parties, the Public Representative, and the Commission. Because no participant sought to conduct oral cross-examination of the Postal Service's witnesses, the Presiding Officer canceled the hearing for oral cross-examination. Presiding Officer's Ruling Canceling Hearing and Establishing Procedures, Ruling No. N2014-1/1, PRC Docket No. N2014-1 (February 4, 2014). Parties designated portions of the Postal Service's interrogatory and information requests and associated library references into evidence. No rebuttal testimony was filed by the intervening parties. On February 14, 2014, the Postal Service moved to enter the direct testimonies of witnesses Malone and Anderson, as well as the designated interrogatory and information request responses and associated library references into evidence.

III. THE POSTAL SERVICE HAS EXPLAINED AND SUPPORTED THE CHANGES PROPOSED IN THIS DOCKET, REFERRED TO AS THE DSCF STANDARD MAIL LOAD LEVELING PLAN

A. The DSCF Standard Mail Load Leveling Plan Is Limited In Scope.

As fully described in the Direct Testimony of Linda M. Malone on Behalf of the United States Postal Service (USPS-T-1), the load leveling service change for which the Postal Service has solicited the Commission's advisory opinion is very limited in nature. *See generally*, USPS-T-1, PRC Docket No. N2014-1 (December 27, 2013). Instead of continuing to apply a uniform service standard to all Standard Mail that qualifies for DSCF rates irrespective of the day of the week on which it is accepted, the Postal Service will apply a different service standard for such mail if it is accepted on either a Friday or Saturday. Under current service standards, if such DSCF rate Standard Mail

is properly accepted at the DSCF prior to the established Critical Entry Time (CET)¹ on any day of the week, it is expected to be delivered by the third delivery day after acceptance. See 39 C.F.R. § 121.3(b)(2).² The proposed change would apply a 4-day service standard to DSCF Standard Mail deemed to have been accepted on either Friday or Saturday, while preserving the current 3-day service standard for DSCF rate Standard Mail entered on Sunday through Thursday. USPS-T-1 at 2, 4-6.³ No other service standards are affected. No other service changes are proposed.

B. The DSCF Standard Mail Load Leveling Plan Seeks to More Evenly Distribute Workload Over The Days Of The Week.

1. The imbalance in Monday delivery workload has adverse consequences.

In Fiscal Year 2013, DSCF Standard Mail represented approximately 62 percent of all Standard Mail and about 32 percent of overall mail volume. *Id.* at 3. Accordingly, postal processing and delivery operations are significantly affected by the volume of DSCF Standard Mail that flows through the mail system. Under current service standards, DSCF Standard Mail accepted on Thursdays and Fridays has a Monday

¹ In this context, the Critical Entry Time is the latest time that DSCF Standard Mail can be accepted at the designated mail processing plant with the expectation of being processed before the applicable clearance time to meet the service standard for mail processing, dispatch, and final delivery. For example, under current service standards, DSCF Standard Mail accepted after the Thursday 16:00 CET and until the 16:00 Friday CET) is deemed to have been accepted on Friday. Likewise, mail accepted on Friday after 16:00, but before the 16:00 CET on Saturday is deemed to have been accepted on Saturday.

² There is an exception from the general three-day service standard applicable for DSCF Standard Mail destined for the U.S. Virgin Islands or for American Samoa. Such mail has a four-day delivery service expectation. See 39 C.F.R. § 310.3(b)(3). For the sake of simplicity, discussion of the DSCF Standard Mail service change will focus on the generally applicable three-day service standard for mail accepted on Friday and Saturday, the proposal to change it to a four-day standard, and the impact of that proposed change.

³ The current 4-day service standard for DSCF Standard Mail entered on either a Friday or Saturday and destined for either the U.S. Virgin Islands or American Samoa will change to 5 days. The current 4-day service standard for such mail entered on Sunday through Thursday will remain in effect.

delivery expectation. *Id.* at 3, Table 1. As highlighted by witness Malone, Thursdays and Fridays are two of the three heaviest days of the week for entry of DSCF Standard Mail. *Id.* at 4, Table 2. As a consequence, under current service standards, a disproportionate share (over 40 percent) of DSCF Standard Mail has a Monday delivery expectation. *Id.* at 3.

The testimony of Postal Service witness Malone highlights some of the consequences of the disproportionate Monday delivery workload that results from the convergence of current service standards and DSCF Standard Mail entry patterns. The proportion of letter carriers still delivering mail past 1700 is typically highest on Mondays. *Id.* at 16-17. The late return of carriers can have a negative impact on downstream operations, especially the cancellation and outgoing processing of First-Class Mail collected by those carriers along their routes. *Id.* at 17-18. As witness Malone emphasizes, late outgoing processing of such mail can negatively impact the ability of mail processing plants to tender it to air transportation providers in a timely fashion, substantially increasing the risk that delivery of such mail will fail to meet applicable service standards. *Id.* at 18.

2. Operations testing has validated the service change concept.

Recognizing that a leveling of delivery workload across the days of the week could alleviate the stress to the postal network typically experienced on Mondays, the Postal Service began consultations with the Mailers Technical Advisory Committee (MTAC) in April 2013 to investigate potential solutions. Consisting of a mix of Standard Mail, First-Class Mail and Periodicals mailers, software vendors, and mail service providers, MTAC Workgroup 157 was chartered for this purpose and met regularly for

several months to discuss strategies for workload leveling. The mutual interest in greater efficiency through load leveling prompted consideration of several suggestions for service trade-offs. *Id.* at 9. No single initiative emerged that would satisfy all stakeholders. However, the Workgroup reached a consensus that operational testing of a service change concept limited to Standard Mail should be undertaken, as it had the potential for obtaining significant workload leveling benefits without the complexity of involving multiple mail classes or multiple products within a class. *Id.* at 11.

This concept involved preservation of a consistent CET throughout the week, but application of an extra day to the service standard for DSCF Standard Mail accepted on Fridays and Saturdays. A test of the operating concept was undertaken during two weeks in September 2013 in the service area of the South Jersey Processing & Distribution Center (South Jersey P&DC) in Bellmawr, New Jersey.⁴

The South Jersey Operations Test confirmed the hypothesis that implementing the experimental change in service standards would result in leveling the mail processing and delivery workload in the service areas of the South Jersey P&DC. Modest reductions in mail processing and city carrier regular workhours were achieved during the operations test. However, substantial reductions in city carrier overtime hours were realized.⁵ The test demonstrated that the significant reductions in DSCF Standard Mail volume scheduled for Monday delivery and resulting load leveling during the test allowed South Jersey District delivery personnel to complete in-office tasks

⁴ A detailed and technical description of the South Jersey Operations Test is provided in USPS Library Reference N2014-1/1.

⁵ See USPS Library References N2014-1/2, N2014-1/17 and N2014-1/18. Additional testing is scheduled during the pendency of this docket in the service areas of 27 mail processing plants located in nine postal administrative districts. Response of witness Malone to Public Representative interrogatory PR/USPS-T1-19 (January 24, 2014).

earlier and begin delivery on their routes sooner in the day. This, in turn, allowed carriers to complete Monday deliveries sooner and return earlier to their delivery units. Completion of delivery also allowed for improved timeliness in the dispatch of collection mail to the plant for cancellation and outgoing processing. The leveling of delivery workload on Mondays also enhanced the Postal Service's ability to achieve greater consistency in the timing of mail delivery by carriers to specific addresses each day of the week. See USPS-T-1 at 14-15; see also Direct Testimony of Mark H. Anderson on Behalf of United States Postal Service (USPS-T-2) (December 27, 2013), at 2-7. To a degree that will vary based on local circumstances, the Postal Service anticipates that a national roll-out of the planned service standard change will lead to the same types of positive operational results in every district throughout the postal network as were experienced in the South Jersey Operations Test. USPS-T-1 at 15-16.

C. The Service Change Concept Is The Product Of Extensive Mailer Consultation.

Any change to DSCF Standard Mail service standards affects a diverse swath of the mailing industry with a variety of divergent interests and concerns. Accordingly, it would not be reasonable to expect the load leveling service change proposal to generate unanimity among the Standard Mail users whose interests were represented through MTAC Workgroup 157. Nevertheless, postal management's engagement of affected mailers in the development of the service change concept, the solicitation of public comment on the proposed changes to 39 C.F.R. 310.3(b),⁶ other forms of notice to potentially affected mailers, and the establishment of various channels for

⁶ See 79 Fed. Reg. 376 (January 3, 2014).

consideration of mailer input⁷ all provide evidence of the postal management's unwavering commitment to giving all due consideration to the concerns of affected mailers before any decision to implement the proposed service change, and in developing appropriate implementation plans.

IV. THE DSCF STANDARD MAIL LOAD LEVELING PLAN IS IN ACCORDANCE WITH AND CONFORMS TO THE POLICIES IN TITLE 39, UNITED STATES CODE

The Load Leveling Plan complies with all applicable requirements of Title 39, and at no point during written discovery did any of the intervening parties raise an issue or concern with the Load Leveling Plan's compliance with any section of Title 39.

The Load Leveling Plan allows the Postal Service to increase efficiencies in the collection, processing, and delivery of the mail in a number of ways, and as such, is consistent with 39 U.S.C. § 403. Specifically, pursuant to 39 U.S.C. § 403(b), it is the responsibility of the Postal Service to "maintain an efficient system of collection, sorting, and delivery of the mail nationwide" and to "provide types of mail service to meet the needs of different categories of mail and mail users." 39 U.S.C. § 403(b)(1) and (2). Moreover, pursuant to 39 U.S.C. § 403(a), the Postal Service has a duty to "plan, develop, promote, and provide adequate and efficient postal services at fair and reasonable rates and fees." As evidenced in the testimony of witness Malone, the Postal Service anticipates that a national implementation of the Load Leveling Plan will

⁷ See USPS Library Reference N2014-1/1, Appendix A; USPS Library Reference N2014-1/6, 1-10-14.pdf; USPS Library Reference N2014-1/7, Appendix C; USPS Library Reference N2014-1/15; Response of USPS witness Malone to interrogatory PR/USPS-T1-12 (January 24, 2014). Mailers also have the opportunity to submit questions for Postal Service review and response via the USPS Rapid Information Bulletin Board System website, which was most recently updated on February 6, 2014. See https://ribbs/industryoutreach/documents/tech_guides/LoadLevelingFAQs.pdf.

lead to the same type of positive operational results as those experienced in with the South Jersey Operations Test. See USPS-T-1 at 15-16. Those results include a significant reduction in DSCF Standard Mail volume scheduled for Monday delivery, which allowed for delivery personnel to complete in-office tasks earlier and begin delivery on their routes sooner in the day, as well as allowing carriers to complete Monday deliveries sooner and return earlier to their delivery units. *Id.* at 14-15. Additionally, earlier return of carriers will result in earlier processing of outgoing mail which improves performance. See *id.* at 16-18. Such operational efficiencies are consistent with 39 U.S.C. §§ 403(a), 403(b)(1) and 403(b)(2).

The Load Leveling Plan also falls within the Postal Service's powers under 39 U.S.C. § 404(a)(1). Specifically, 39 U.S.C. § 404(a)(1) empowers the Postal Service "to provide for the collection, handling, transportation, delivery, forwarding, returning, and holding of mail" This authority is bolstered by 39 U.S.C. § 401(10) which provides the Postal Service with "all other powers incidental, necessary, or appropriate to the carrying on of its functions or the exercise of its specific powers." The Load Leveling Plan falls within the scope of this authority, as it relates to the Postal Service's provision of the collection, handling, and delivery of the mail.

Moreover, the Load Leveling Plan furthers the Postal Service's service standard objectives established in 39 U.S.C. § 3691(b)(1), which include "enhanc[ing] the value of postal services to both senders and recipients" and "reasonably assur[ing] Postal Service customers delivery reliability, speed and frequency consistent with reasonable rates and best business practices," as articulated in 39 U.S.C. §§ 3691(b)(1)(A) and (C) respectively. For example, the Load Leveling Plan enhances delivery reliability and

speed by allowing for delivery personnel to complete in-office tasks earlier and begin delivery on their routes sooner in the day, as well as allowing carriers to complete Monday deliveries sooner and return earlier to their delivery units. See USPS-T-1 at 14-15. Additionally, the Load Leveling Plan provides delivery benefits, by allowing carriers to return from their routes earlier, which allows for earlier and more consistent processing of outgoing mail. See *id.* at 16-18. Further, the Load Leveling Plan provides for greater consistency on the timing of mail delivery by carriers to specific addresses each day of the week. See *id.* at 14-15; see also USPS-T-2 at 2-7. These operational improvements are achieved without changing the value of DSCF Standard Mail. Additionally, the Load Leveling Plan achieves operational improvements without hampering the Postal Service's ability to provide "regular and effective access to postal services in all communities" consistent with 39 U.S.C. § 3691(b)(1)(B).

Finally, the Load Leveling Plan is consistent with 39 U.S.C. § 3691(c), which requires the Postal Service to take into account a number of factors when establishing or revising service standards. Specifically, 39 U.S.C. § 3691(c)(4) requires that the Postal Service take into account "mail volume and revenues projected for future years" and 39 U.S.C. § 3691(c)(6) requires that the Postal Service take into account "the current and projected future cost of serving Postal Service customers." The record evidence provides no basis for concluding that implementation of the Load Leveling Plan will lead to any material diminution in DSCF Standard Mail volume or revenue. Accordingly, the Load Leveling Plan takes into account current and future mail volumes and includes operational adjustments that will help reduce current and future costs.

V. CONCLUSION

Pursuant to its December 27, 2013 Request, the Postal Service seeks in this docket an advisory opinion from the Postal Regulatory Commission pursuant to section 3661 of title 39, United States Code, confirming that the Load Leveling Plan is consistent with the policies of title 39. As demonstrated above, the Load Leveling Plan represents a proper balancing and consideration of relevant statutory objectives and policies. Accordingly, the Postal Service respectfully requests that the Commission issue an advisory opinion that affirms that the resulting changes in the nature of postal services conform to the policies of title 39, United States Code.

Respectfully submitted,

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